

- Q** What progress have you made on the Montney Formation JV Project?
- A** CSRI and its joint venture partner [Canbriam Energy Inc.](#) brought their Montney JV into production in January 2011. Construction of the joint venture's gas processing facility (initial capacity 10 mmcf/d) and tie-in to the Spectra Energy sales pipeline was completed and commissioned with gas sales commencing in late January 2011. The wells currently tied-in to the facility are the c-A48-I and b-17-I lower Montney horizontal wells and the c-18-I upper Montney horizontal well. Initial gas sales from these three wells were in excess of 10 mmcf/d gross (3.5 mmcf/d net). Subsequently, over the last three months, gas sales have declined to 5 mmcf/d gross (1.75 mmcf/d net) and appear to have stabilized. Subject to the availability of fracture crews and equipment, it is anticipated that the c-A18-I, c-B18-I, and c-45-I wells will be fracture stimulated and tied-in to the facility during the third quarter of 2011.
- Q** What is the significance of Sasol Limited acquiring a 50% WI from Talisman Energy for Montney rights?
- A** In December 2010, Talisman announced that Sasol had agreed to acquire a working interest in 50% of Talisman's 120 mmcf/d processing facility and 25,600 net acres of land (50% of 80 sections) for \$1.05 billion. At the time of the agreement Talisman expected to produce between 40-60 mmcf/d by the end of 2010.
- In March 2011, Talisman and Sasol entered into a second joint venture that included Sasol acquiring 45 sections of their "Cypress A" shale gas play for \$1.05 billion, located approximately 25km north of their Farrell Creek JV.
- The CSRI/Canbriam Montney JV is adjacent to the Talisman Montney play and the deal offers some metrics into the potential value of CSRI's 22,000 net acres (34.4 net sections) of Montney rights.
- Taking into account the existing production and number of Montney rights de-risked, CSRI estimates that Sasol paid Talisman approximately \$17 million/section. If an implied adjusted value of \$17 million/section was applied to CSRI's Montney rights, these rights would be worth approximately \$585 million. Based on this estimated value, CSRI would have a value of \$7.84/share unrisksed.
- [\[Talisman/Sasol December 2010 News Release\]](#)
- [\[Talisman/Sasol March 2011 News Release\]](#)
- Q** What is the Talisman/Sasol JV planning for 2011?
- A** Talisman is moving quickly to develop their Farrell Creek play with Sasol in 2011. This includes planned capital investment of \$100 million and under the joint venture agreement Talisman will be carried by Sasol for an additional \$800 million in capital spending. Rig count will be increased from four rigs to eight which will allow 70 gross wells to be drilled. The JV is planning to expand their Farrell Creek processing plant capacity to 180 mmcf/d and increase gross average 2011 production to 100-120 mmcf/d.
- Q** What were the results of the most recent resource assessment on the Montney Formation from Sproule Unconventional Limited?
- A** In April 2011, Sproule released an updated resource assessment (as of December 31, 2010) based on CSRI's 29.4 net sections of Montney rights. The Total Gross Discovered and Undiscovered Natural Gas Initially-In-Place ("GIIP") net to CSRI was 1.0 tcf and 1.3 tcf respectively. Combining the CSRI/Canbriam JV lands (67 gross sections) the GIIP was 2.7 tcf and 2.4 tcf respectively; an average 39% increase over 2009. Since January 1, 2011, the Corporation increased its net land ownership position by 5 sections to a total of 34.4 net sections of Montney rights.
- The resource assessment also included CSRI's first independent estimates of potentially recoverable natural gas volumes in the contingent and prospective resource classifications. The best estimate of contingent resources was 134 Bcf with a best estimate of prospective resources of 274 Bcf.
- [\[CSRI April 7, 2011 News Release\]](#)

The CSRI resource assessment only included the Montney Formation and did not include the Doig and Doig Phosphate intervals (fracture stimulated and tested by other Farrell Creek operators) or the adsorbed gas component associated with any formation.

The Sproule resource assessment used an industry standard 6% limestone porosity cut-off. Based on the Corporation's and other operators' well evaluation work in lower average porosity portions of the Montney Formation, CSRI requested that Sproule calculate the Total Gross Natural Gas Initially-In-Place using a 3% limestone porosity cut-off. Using this cut-off, the Total Gross Natural Gas Initially-In-Place was calculated by Sproule to be 10.9 tcf of natural gas on the Corporation's lands at Farrell Creek compared to the 5.0 tcf using a 6% cut-off. On average, this provided a range of 75 Bcf (using a 6% cut-off) to 163 Bcf (using a 3% cut-off) per section in the Montney Formation.

The use of a 3% limestone porosity cut-off is not an industry standard and is not currently endorsed by Sproule. Although CSRI has achieved production from the Montney Formation at average porosities of less than 6% (limestone), readers should be cautioned that resource sensitivities using porosity cut-off levels below the 6% industry standard should be considered Undiscovered and Unrecoverable at this time.

**Q** Has CSRI developed a production profile of its Montney wells?

**A** As more wells are brought into production, CSRI will be able to develop a production profile of its Montney wells. Talisman has developed a production profile of its Montney wells at its Farrell Creek play which can be found on [page 9](#) of their April 2011 corporate presentation. Their current 2011 estimated ultimate recovery (EUR) per well is 7 Bcfe with a 30 day initial production (IP) of approximately 6 mmcf/d.

**Q** What is the future of CSRI's Gething Formation Pilot Project?

**A** CSRI has 59 sections of Gething rights and the ROFR on 95 sections of Gething rights surrounding these lands from the CSRI/Shell Canada Energy Gething joint venture. From this joint venture, CSRI received an expandable gas facility (that could be used for other natural gas formations), wells and infrastructure. The Corporation is considering a number of options that include seeking a new JV partner for the Gething and other rights

**Q** What is CSRI's working capital position?

**A** CSRI has a cash balance of approximately \$18.4 million (\$0.25 per share), no debt and an approximate G&A of cash expense of \$200,000/month. As part of the JV agreement with Canbriam, CSRI is responsible for funding 35% of the capital costs of the Montney play on the JV lands.

**Q** Aside from selling gas "through the pipeline", what other potential options do Farrell Creek gas producers have?

**A** The planned Kitimat LNG plant could provide access to the Asian market that currently offers higher prices for gas.

The option of a Gas-to-Liquids ("GTL") facility for the gas produced from the Talisman/Sasol Montney play. Whether the Talisman/Sasol JV decides on the GTL option or not, it provides a hedge against the impact of potential low prices for natural gas in the future. The Talisman/Sasol JV is currently studying the feasibility of a GTL facility.

**(All dollar amounts shown are C\$)**

*The corporate information contained in this Q&A may contain forward-looking forecast information. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonably accurate by CSRI at the time of preparation, may prove to be incorrect. The actual results achieved during the forecast period will vary from the information provided herein and the variations may be material. Consequently there is no representation by CSRI that actual results achieved during the forecast period will be the same in whole or in part as those forecast.*

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